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**PACIFIC BELL**  
A Pacific Telesis Company

*cc - Carl Hunt  
Bob Ulrich  
J.R. Sinn: Pacific*

Ms. Mary Ann Collier  
4480 Willow Road, Room 100  
Pleasanton, Ca 94588

Dear Mary Ann:

This is a follow up letter to my last correspondence dated December 4, 1996 to clarify the ongoing capacity of our LISC (Local Interconnection Service Center) relative to resale orders. In my last letter, we were at an overall level of approximately 400 orders per day with a projected level of approximately 2,000 orders per day by the end of January 1997.

Since my last letter, we have continued to ramp up our capacity coincident with additional force augments and have leveraged the learning curve associated with our real-time experience. Last week, we added 50 additional resources and 2 full time second level managers. We will also be adding a full time director before the end of the month to support the LISC operation.

Although our last letter on December 4, 1996 reflected an overall level of 400 orders a day, we have already surpassed this level and we are aggressively increasing our productivity. We will continue to augment our force as necessary to accommodate demand. In addition, our implementation of increased mechanization will continue to increase the LISC capacity.

On a going forward basis, we would appreciate your continued efforts to give us accurate forecasts of your resale demand.

Sincerely,

  
Jerry Sinn

*10.21  
12/17-DBB  
(Hand delivered  
by Janette Cordy)*

FW: Pacific  
Bell

# State Scrutinizes Pac Bell Tactics

By Jonathan Marshall  
Chronicle Staff Writer

State regulators are probing allegations that Pacific Bell is sabotaging its competitors' efforts to offer local phone service in California.

AT&T, MCI, Sprint and several smaller phone companies have complained to the California Public Utilities Commission that Pac Bell has delayed or even lost thousands of customer requests to switch their local phone service. In some cases, they say, Pac Bell has even canceled all service to customers moving to a rival provider.

"Whether by inadvertence or by design, they are being as resistant as any local phone company to competition," said MCI Chairman Bert Roberts Jr.

The PUC will hold its first hearing on this issue today. MCI also has filed a complaint with the Federal Communications Commission. And one small Walnut Creek carrier, CalTech International, has threatened a \$100 million lawsuit against Pac Bell.

Pac Bell admits making mistakes, even shutting off service to a few customers. But it says foul-ups are inevitable during a sweeping transition from monopoly ser-

vice to competition.

"Anytime you start a process as big as this, you'll run into glitches," said Ann Long, a business manager at Pac Bell's local interconnection service center. "They aren't staged; they aren't deliberate. They are human error, and they have affected only a handful of customers."

Billions of dollars potentially are at stake in this dispute. If Pac Bell's competitors can make the case that it is blocking competition in the local market, regulators will bar it from entering the lucrative long-distance market.

"It serves their purpose to complain,"

said Pacific Bell President David Dorman. "The No. 1 objective of AT&T is to keep us out of long-distance."

Pac Bell's competitors mostly are reselling its local service under their own brand names. To switch a customer over involves no new wiring but a series of complicated billing changes and an enormous volume of paperwork.

Pac Bell has 300 employees who process as many as 2,000 orders per day. The office stays open from 7 a.m. to 11 p.m., seven days a week. The company said it is

PAC BELL: Page B2 Col. 3

S.F. Chronicle

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## PAC BELL

From Page B1

hiring and training new people and working on computer systems to end the backlog.

"We are committed to getting to a point where capacity isn't a question," said Lee Bauman, Pac Bell's vice president for local competition.

In the meantime, processing delays of days or even weeks frustrate competitors who want to sell their service but can't promise customers when it will start.

"It can take upward of 80 days to switch a customer," said Jim Lewis, Western regional manager of MCI. "Obviously, that's not a great sales point."

"These problems will potentially damage our brand name," said Rose Johnson, AT&T's chief commercial attorney. "The customer blames us, not Pac Bell, for doing it wrong."

Pac Bell says many of the delays stem from sloppy paperwork by competitors who don't bother filling out forms correctly.

One of the worst offenders until recently was MCI, Long said. It would barrage Pac Bell's fax machines with duplicate orders, tying up clerks until they realized they all were working on the same customer.

MCI's own fax machines sometimes were defective, Long said, so the carrier didn't receive Pac Bell's confirmations of service order changes.

MCI refused until a couple of weeks ago to send information to Pac Bell online instead of by fax. Now that it has, the process is working much more smoothly, Long said.

Pacific Bell's archaic practices make things worse. For each service switch, it starts two paper streams: one to disconnect the customer from Pac Bell and another to start the customer with a competitive provider. If the two files ever get separated, Pac Bell can disconnect a customer before starting the new service.

AT&T stated in its complaint that five of its business customers in the state had been left totally without service for up to 12 hours while trying to shift over to AT&T.

Pacific Bell says it assigned a special task force to track down the problem and prevent it from recurring. "We had it fixed by October," Long said.

Some customers also have been miffed by Pac Bell's practice of calling departing customers to confirm their plans to discontinue service — and sometimes to talk them into staying with Pac Bell.

Birgit Feci, the controller of a Lodi company that owns 15 Burger King and

### FREEDOM OF CHOICE



*Pacific Bell is losing local phone service customers at a rate of about 2,000 a day. Here are some reasons why customers are making the switch:*

- Consolidation of other phone services (long-distance, cellular, pager)
- Trust in a well-known brand name
- Seeking improved customer service
- Better pricing package

*Source: Chronicle research*

CHRONICLE GRAPHIC

Applebee's restaurants in Northern California, thought all was well when she signed an agreement with MCI on October 29 to switch over to its local service.

But then on December 30, two Pacific Bell representatives called to say Feci's company was going to be disconnected. "I was very alarmed that we were going to lose our telephone service if we switched over to MCI," Feci said in an affidavit filed with MCI's complaint to the FCC.

Pac Bell decided last week that to avoid such confusion in the future, it no longer will call customers who are switching to a competitive local service.

The jury still is out on whether Pac Bell purposely is sabotaging the opposition.

Its perennial critics believe the worst. "I tend toward the view that Pacific Bell is trying to stymie competition by messing up service transfers," said Regina Costa at the Utility Reform Network, a ratepayer advocacy organization. "If systems aren't working, it's because they don't want them to."

For now, the PUC is keeping an open mind. "We are keeping a pretty close eye on the charges," said Jack Leutza, head of the commission's telecommunications staff.

But Leutza said from what he's seen so far, the problem seems inherent in the sheer complexity of shifting over to a competitive market. "It's a difficult process, and both sides are working hard at it," he said.

### Japan PC Makers Predict Growth

Japan's top personal computer makers yesterday projected robust sales growth for the next business year. NEC Corp. said it expects sales of its personal computers to rise 20 percent in the year starting next April. Toshiba Corp., meanwhile, said it aims to boost its PC sales to over \$6 billion in fiscal 1997/98 from a projected \$5.88 billion for the current year.

Reuters

John T. Stanley  
Resale Operations  
Vice President  
Mary Markets Group

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Fax 415 543 1881

**PACIFIC BELL**  
A Pacific Telephone Company

*File Pacific*

*Fax to Rose Johnson*

April 10, 1997

Ms. Lois A. Hedgpeth  
Vice President  
Pacific State-Local Service Operations  
AT&T Communications  
795 Folsom Street - Room 516  
San Francisco, California 94107

Dear Lois:

I would like to share with you the most current information regarding Pacific's resale processing capacity. We are sharing this information to aid you in your business planning. The same information has recently been shared with the Department of Justice, the Federal Communications Commission, and the California Public Utilities Commission.

The aggregate industry capacity for resale services is estimated as follows:

<u>Time Period</u>	<u>Estimated Completions Per Day</u>
End of 2Q97	2,000 - 2,500
End of 3Q97	4,000 - 4,500
End of 4Q97	5,000 - 6,000

These plans are a result of very aggressive efforts in staffing, training, and systems deployment. In addition, Pacific has made assumptions in the absence of detailed forecasts from the CLC community regarding the mix of order types and products. While we will continue to do everything within our control to meet these projections, there remains the risk of unanticipated events. If any substantial change of forecast occurs, we will notify you of our revised estimates.

As you know, we are not in a position to state the portion of capacity that will be allocated to AT&T because Pacific is not in a position to predict the percentage of overall volume that AT&T will represent as compared to the other CLCs. We hope you find this information useful for your planning purposes.

Regards,

*John*

cc: Mary Ann Collier, Janette Corby

J. M. Corby  
Vice President  
AT&T Account Team  
Industry Markets Group

370 3rd Street, Room 714C  
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**PACIFIC BELL**  
A Pacific Telesis Company

February 19, 1997

Ms. Mary Ann Collier  
Pacific States Local Infrastructure  
Access Management Vice President  
AT&T Communications  
4480 Willow Road, Room 100  
Pleasanton, Ca 94588

*Copy to Rose Johnson done 2/26 by John  
Carl Hight  
Ed Wilson  
file Pacific Bell.  
the (copy of letter)  
3/31*

Dear Mary Ann,

This letter responds to your letter requesting a corrective action plan for resale service order discrepancies.

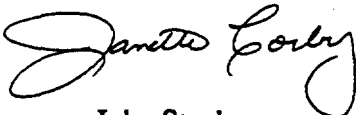
While we continue to focus on delivering quality in our service order process, we are also focusing our efforts on root cause analysis. I am sure that you would agree any analysis which promotes corrective and preventative actions is part of our shared critical paths. Therefore, we have not attempted to focus on speed, but rather on the detail and analysis.

As you know, we continue to augment our resources in the Local Interconnection Service Center (LISC). To that end, in March, we will begin adding 25 employees dedicated to quality process. We anticipate that these new employees will have learning curves and our first order of business will be to improve their knowledge, skills and abilities. When trained, these employees will be concentrating on identifying root cause and effect, data stratification and crafting any needed recommendations for process improvements. The amount of resources focused on AT&T's service order needs will continue to be based on the relative volumes and mix of orders as a proportion of the total orders.

Pacific Bell remains committed to delivery of quality service for your resale needs. We will continue to communicate progress on this plan.

If you have any questions, please do not hesitate to contact me.

Sincerely,



cc: John Stankey  
Lyndall Nipps

*2/16  
2/25-B/148*

John T. Stankey  
Rescue Operations  
Vice President  
Emergency Markets Group

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*Situ*

**PACIFIC BELL**  
A Pacific Telesis Company

March 18, 1997

*Fax to: Ross Johnson  
Carl Hunt done 3/18  
Sara DeYoung  
Who is Herly-pita.*

Ms. Mary Ann Collier  
Pacific States Local Infrastructure  
Access Management Vice President  
AT&T Communications  
4480 Willow Road, Room J100  
Pleasanton, California 94588

Dear Mary Ann:

I am responding to your March 13 letter to Janette Corby regarding completion discrepancy backlog items. I would like to address how we will reduce the number of outstanding discrepancies, and more importantly, how we will reduce the percentage of orders requiring discrepancy resolution.

**Backlog Reduction**

Unfortunately, we did not move the dedicated resources promised in our letter of February 12 as quickly as we had anticipated. These individuals completed training last Friday and are now moving into their new roles. As of Monday, we have 4.5 full time equivalent Service Representatives working specifically on AT&T completion discrepancies. We will increase these resources over the next few weeks and will clear discrepancies at the rate identified on the attached matrix.

**Root Cause Identification**

Concurrent with reducing the discrepancy backlog, this team will identify and stratify the root cause associated with each discrepancy. After we achieve a valid sample, the data will be reviewed by our recently chartered Service Order Quality Forum (see the attached description). This team will be responsible for crafting the appropriate gap closure plans. In addition, we will certainly share with your organization any findings that might improve AT&T's order accuracy.

I apologize for our slow start, but I am optimistic that we now have the appropriately trained resources in place to manage this situation.

Regards,

*John*

**Attachments**

cc. J. Corby, T. Cvetovac, D. Griffin, C. McDonnell, L. Nipps

*26.2  
3/19-BHS*

P.02/05 415 545 1001

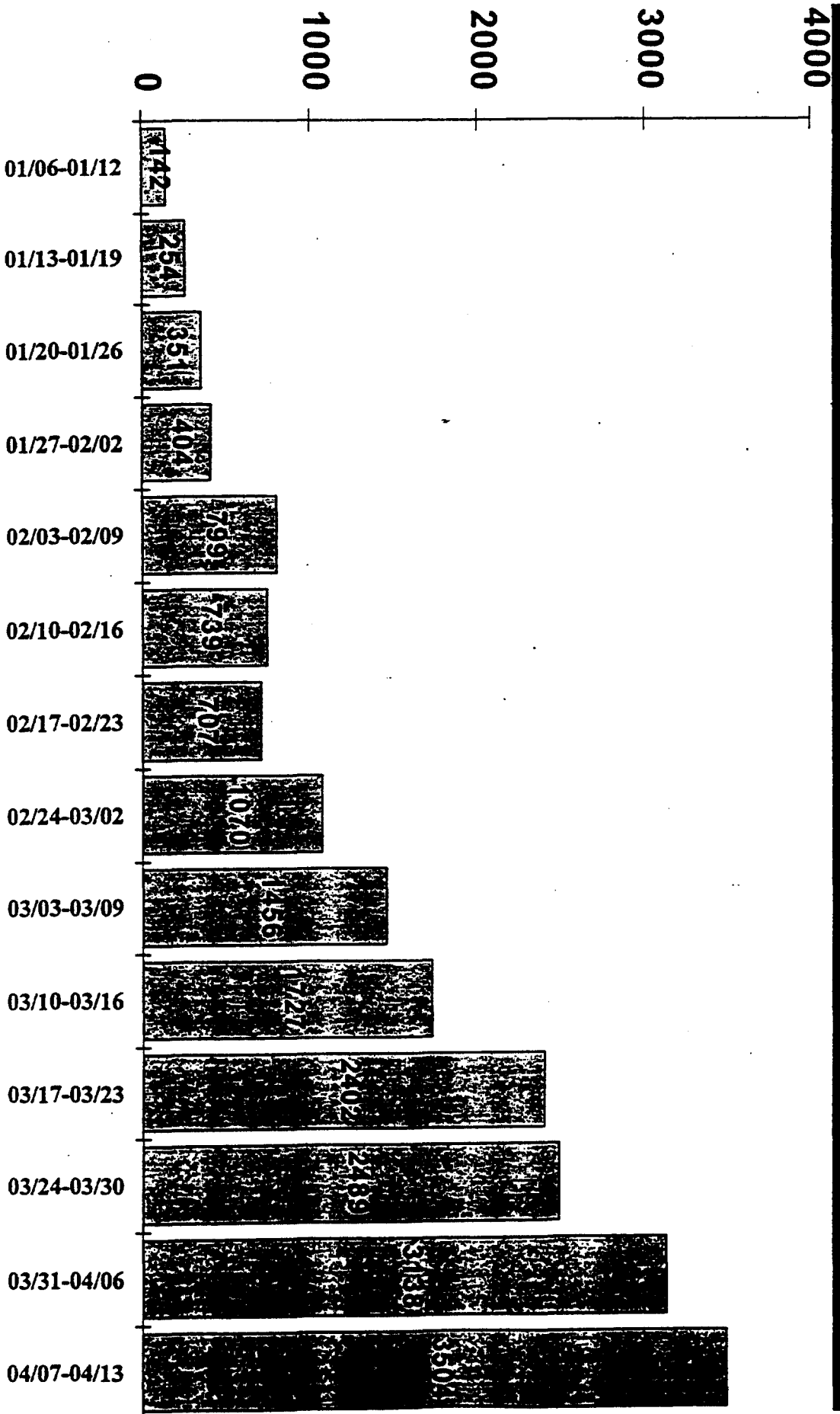
415 545 1001  
FBI OCT. TEAM

03-18-97  
MAR-18-1997  
2-87-90



**AT&T**

# PACIFIC BELL PERFORMANCE ISSUES UNRESOLVED COMPLETION DISCREPANCIES



Data Source: CNSC Daily Past Due Report

AT&T-PROPRIETARY (RESTRICTED)  
Solely for authorized persons having a need to know  
pursuant to Company instructions

Elizabeth A. Fetter  
President  
Industry Markets Group

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San Francisco, California 94107  
(415) 545-8968

Page 1 of 2  
**PACIFIC BELL**  
A Pacific Telesis Company

December 11, 1996

RECEIVED DEC 18 1996

Lois A. Hedgpeth  
Vice President - AT&T  
Pacific State Local Service Organization  
Communications Service Group  
795 Folsom Street - Room 516  
San Francisco, CA 94107

Dear Lois:

The purpose of this letter is to respond to the questions, statements and issues identified in your correspondence dated November 15, 1996.

Pacific Bell is committed to providing high quality wholesale service to all CLCs, including AT&T. We continue to implement enhancements in our processes and systems as rapidly as they can reasonably be assimilated, consistent with the schedules we have shared with you. And, we are augmenting our work force to accommodate additional demand. All of these measures are directed towards increasing our capacity to process service requests and continue to improve service quality. We expect to see continued improvement in order processing capability and expect to be able to manage 2,000 orders per day by the end of January. Our production capacity will continue to increase as additional mechanization and force augments occur.

As you know, we have agreed with AT&T to develop and implement EDI and access to systems on a highly accelerated schedule to standards you and we will agree to by February, even if industry standards are still unresolved. These aggressive steps will significantly increase our capacity and eliminate many opportunities for errors to be introduced into our processes.

To optimize these steps we need your help and that of other CLCs. We need accurate forecasts, and we need consistent use of our mechanized systems, so we can make the best use of scarce resources. To date, the few forecasts we have received from CLCs have not been timely or accurate.

Relative to the backlog that developed in October you are aware that a deluge of orders in paper form from one of the CLCs caused our process to back up. We took immediate actions to restore our throughput. As our proposed contract recognizes, delays and process breakdowns will occur during our initial introduction into this new environment. While we continue to experience some delays in FOC and Completion Notification, the level of perceived backlog has significantly diminished. I use the word "perceived" to reflect the fact that portions of the work in question are the result of discrepancies between our records and those of AT&T. Our organizations continue to meet daily to reconcile these differences. While we



L. A. Hedg-peth  
Page 2  
December 11, 1996

have not met our four hour objective for FOC, we do not believe that this has materially affected the actual migration of customers' service to AT&T.

On the issue of two orders being required to migrate a customer service to AT&T, we have a plan to automate this process by May 31, 1997. It is important to realize that the requirement for two orders is driven by our response to your desire to have CABS billing. This requires us to move the service records for basic exchange services from CRIS to CABS. One potential solution to eliminate the dual order process is to continue to bill these basic exchange services out of CRIS. While this is inconsistent with our proposed contract terms, we are willing to investigate this approach if AT&T can support it.

In closing, I want to reaffirm that Pacific Bell is committed to providing quality local services for resale and I am personally committed to team with AT&T in working through these issues.

Sincerely,

*Janette Early for Liz Fetter*

cc: Marlin Ard